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STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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December 9, 1997

Magalie R. Salas
Secretary
Federal Communications Commission
1919 M Street NW, Room 222
Washington, D.C. 20554

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FCC MAIL ROOM

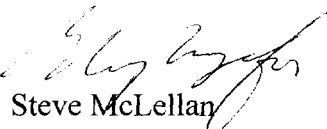
RE: Comments of the Staff of the Washington Utilities and Transportation Commission In the Matter of Amendments to Uniform System of Accounts for Interconnection, FCC97-355, CC Docket No. 97-212

Dear Ms. Salas:

Pursuant to the above referenced Notice of Proposed Rulemaking, enclosed for filing are an original and eleven copies of the Comments of the Staff of the Washington Utilities and Transportation Commission. Please distribute a personal copy of the comments to each Commissioner. We are also filing copies pursuant to the Notice with Matthew Vitale in the Accounting and Audits Division, and with International Transcription Services.

Please contact me if you have any questions about this filing.

Sincerely,


Steve McLellan
Secretary

0211
Washington State
12-10-97



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Before the
Federal Communications Commission
Washington, D.C. 20554

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DEC 11 1997 CC 97-355

In the Matter of

Amendments to Uniform System of
Accounts for Interconnection

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CC Docket No. 97-212

COMMENTS OF
THE STAFF OF THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

December 9, 1997

I. Introduction

The Washington Utilities and Transportation Commission Staff (WUTC Staff) hereby responds to the Notice of Proposed Rulemaking (NPRM) initiated by the Federal Communications Commission (FCC) to propose rules for the accounting treatment of transactions related to interconnection and shared infrastructure.¹ These comments address the proposal for new Part 32 accounts and subsidiary record keeping requirements to record the revenues and expenses related to providing and obtaining interconnection. The WUTC will be better able to contribute to the FCC's review in reply comments; however, there are several overriding policies which the WUTC Staff seeks to promote at this time.

One of the major means to encourage and facilitate competition in the local telephone market, as well as increase consumer options for local telephone service, is to require local exchange companies (LECs) to report information about service costs, revenues, and features of their telecommunications products and services in a manner that allows comparisons between competing carriers. Based upon current accounting practices by incumbent LECs (ILECs) in the State of Washington, the WUTC Staff concludes that the proposed accounts and subsidiary record keeping requirements will provide useful information without imposing undue burdens on

¹ These comments are filed contemporaneously with related comments in FCC NPRM 97-354, *In the Matter of Jurisdictional Separations Reform and Referral to the Federal-State Joint Board*.

carriers. The WUTC Staff would also like to propose an additional separate account for universal service revenues. This would be explicit and could be made consistent with what is decided in the jurisdictional separations NPRM, FCC 97-354. The WUTC Staff has filed comments to this effect in that docket as well.

II. Goals of Proposed Accounts and Subsidiary Record keeping Requirements

There is an inherent value to making accounting and subsidiary record keeping information and data readily available. As consumers become confronted with an expanding array of telecommunications products and services, it will become increasingly more difficult to make informed choices about value and risk. The investment by carriers in their respective networks will increasingly be referenced as an indication of their ability to deliver quality service. Likewise, the revenues generated by carriers will increasingly be referenced as an indication of their competitive value. However, it should be noted that within the State of Washington, U S WEST Communications, Inc. (USWC), and GTE Northwest, Inc. (GTE), record their respective expenses and revenues using the same uniform system of accounts but they are very different companies on paper due to their differences in accounting practices at the sub-account level.

It is not necessary to foresee the added value to revenue and expense

account reporting in order to find merit in the additional reporting requirements. Uniform reporting among ILECs with respect to local interconnection services (LIS) and the provision of unbundled network elements (UNEs) will continue to increase in value as effective market competition develops. Furthermore, these additional reporting requirements will ensure that regulated ratepayers do not bear the costs of ILECs competitive activities. The procompetitive goals of the Telecommunications Act of 1996 were intended to benefit consumers as well as competitors. Accordingly, there may be expenses that are incurred in order to provide customers of ILECs with choices for local telecommunications service. The WUTC Staff does not address specific issues regarding the recovery of expenses in these comments. To the extent that ILECs incur competitive expenses, such as the unbundling of elements which are requested in combinations by competing LECs (CLECs), identification of those expenses will serve to pass those costs along to wherever they belong. On the other hand, expenses for LIS and UNEs which are incurred for the benefit of competitors should be identified so that they can also be accorded appropriate rate making treatment.

**III. Proposed Accounts and Subsidiary Record keeping Requirements Do Not
Constitute Undue Burdens.**

The current internal accounting practices of both USWC and GTE will lead them to book expenses and revenues in accounts and subsidiary record keeping categories for interconnection that are substantially similar to those proposed by the Commission. Accordingly, the uniform designation of accounts and subsidiary records should not impose an undue burden on them.

Likewise, the USWC AAS and CARS Manuals, and GTE's Cost Accounting Manual and work center system, and other financial and accounting systems maintained by the companies already document established procedures for preserving an audit trail regarding the allocation and recording of expenses and revenues. The extension of these established procedures for the purpose of creating an audit trail related to the proposed accounts and subsidiary records for interconnection should not impose an undue burden on them. Adding a universal service revenue account would also not be unduly burdensome.

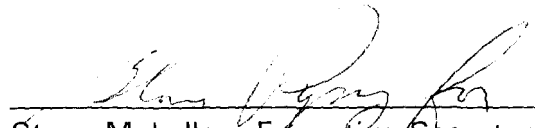
III. Conclusion

Final determination of just and reasonable rates for interconnection by State commissions will necessitate that the expense accounts and subsidiary records proposed by the Commission be considered. The recording of relevant expenses and revenues into separate accounts and subsidiary records should be undertaken

by ILECs for internal purposes and the FCC's proposal will not impose an undue burden on them.

A uniform system of accounts for LIS and UNE expenses and revenues will benefit consumers by establishing a means for assessing the comparative benefits and costs of exercising choice in the competitive marketplace. Furthermore, the proposed accounts and subsidiary record keeping shall enable carriers to properly allocate the costs of nonregulated and regulated activities between competitors and customers.

DATED this 9th day of December, 1997, at Olympia, Washington.



Steve McLellan, Executive Secretary
Washington Utilities and Transportation
Commission